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Legislative Audit Division

State of Montana

Report to the Legislature

November 1996

Financial-Compliance Audit
For the Two Fiscal Years 1996

Montana Chiropractic Legal Panel

This report contains no recommendations. We issued an unqualified opinion on the financial schedules.

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FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

Government Auditing Standards, the Single Audit Act of 1984 and Amendments of 1996, and OMB Circular A-128 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 1995 has been issued. Copies of the Single Audit Report can be obtained by contacting:

Single Audit Coordinator
Office of Budget and Program Planning
State Capitol
Helena MT 59620
Phone (406) 444-3616

Legislative Audit Division
Room 135, State Capitol
PO Box 201705
Helena MT 59620-1705

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Legislative Audit Division

Financial-Compliance Audit
For the Two Fiscal Years Ended June 30, 1996

Montana Chiropractic Legal Panel

Members of the audit staff involved in this audit were Frieda Houser and Wayne Kedish.

MONTANA LEGISLATIVE BRANCH

Legislative Auditor
Scott A. Seacat

Legal Counsel:
John Northey

Deputy Legislative Auditors:
Mary Bryson
Operations and EDP Audit
James Gillett
Financial-Compliance Audit
Jim Pellegrini
Performance Audit

LEGISLATIVE AUDIT DIVISION

November 1996

To the Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Montana Chiropractic Legal Panel for the two fiscal years ended June 30, 1996. The report contains no recommendations and we issued an unqualified opinion on the financial schedules. The panel's written response to the audit is included in the back of the audit report.

We thank the Montana Chiropractic Legal Panel staff for their assistance and cooperation.

Respectfully submitted,

Scott A. Seacat
Legislative Auditor

Room 135, State Capitol Building, PO Box 201705 Helena, MT 59620-1705
Phone (406) 444-3122 FAX (406) 444-9784

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Table of Contents

	Appointed and Administrative Officials	ii
	Report Summary	iii
Introduction	Introduction	Page 1
	Background	Page 1
Prior Audit Recommendations	Prior Audit Recommendations	Page 3
Independent Auditor's Report & Agency Financial Schedules	Independent Auditor's Report	Page A-3
	Schedule of Changes In Fund Balance for the Two Fiscal Years Ended June 30, 1996	Page A-5
	Schedule of Total Revenue for the Two Fiscal Years Ended June 30, 1996	Page A-6
	Schedule of Total Expenditures & Other Reductions by Object By Program for the Two Fiscal Years Ended June 30, 1996	Page A-7
	Notes to the Financial Schedules	Page A-9
Agency Response	Montana Chiropractic Legal Panel	Page B-3

Appointed and Administrative Officials

Montana Chiropractic Legal Panel	Mary Lou Garrett, Director

Montana Chiropractic Legal Panel

We performed a financial-compliance audit for the two fiscal years ended June 30, 1996. The Panel implemented both of the two recommendations contained in our prior audit report for the two fiscal years ended June 30, 1994.

We issued an unqualified opinion on the financial schedules which means the reader may rely on the presented financial information and the supporting data recorded on the Statewide Budgeting and Accounting System.

This audit report contains no recommendations.

Introduction

Introduction

We performed the financial-compliance audit of the Montana Chiropractic Legal Panel for the two fiscal years ended June 30, 1996. The audit objectives were to:

1. Determine the panel's compliance with applicable laws and regulations.
2. Make recommendations for improvements in the management and internal controls of the panel.
3. Determine if the financial schedules present fairly the results of operations of the panel for the two fiscal years ended June 30, 1996.
4. Determine the implementation status of prior audit recommendations.

This report contains no recommendations to the panel. Areas of concern not having a significant effect on the successful operations of the panel are not included in this report, but have been discussed with management.

Background

The Montana Chiropractic Legal Panel (panel) was established as a state agency in January 1990 by Chapter 262, Laws of 1989. It's duties are set forth in Title 27, chapter 12, of the Montana Codes Annotated.

The panel reviews malpractice claims made against chiropractic physicians. It must hear and make a decision on a claim before the claim can be filed in court. The panel determines if there is substantial evidence the stated act or omission occurred, whether the act or omission constitutes malpractice, and if there is reasonable medical probability of injury because of the act or omission.

The executive director of the Montana Chiropractic Association appoints the panel director, subject to the approval of the Chief Justice of the Montana Supreme Court.

The panel is administratively attached to the Montana Supreme Court. However, the panel does its own accounting and budgeting.

Introduction

Funding for the panel is from an annual fee assessed to chiropractic physicians. The panel has statutory appropriation authority to spend the fee revenues on panel hearings and operational expenditures.

Each time a hearing is held the director selects the panel members. Each panel consists of three attorneys and three chiropractic physicians. One of the attorneys is chosen to be the chairperson. The panel held one hearing in fiscal year 1994-95 and two in fiscal year 1995-96.

Prior Audit Recommendations

Prior Audit Recommendations

Our office performed the panel's financial-compliance audit for the two fiscal years ended June 30, 1994. The report contained two recommendations. The panel implemented both recommendations.

Independent Auditor's Report & Agency Financial Schedules

MONTANA LEGISLATIVE BRANCH

Legislative Auditor
Scott A. Seacat

Legal Counsel:
John Northey

Deputy Legislative Auditors:
Mary Bryson
Operations and EDP Audit
James Gillett
Financial-Compliance Audit
Jim Pellegrini
Performance Audit

LEGISLATIVE AUDIT DIVISION

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying financial schedules of the Montana Chiropractic Legal Panel for each of the two fiscal years ended June 30, 1995 and 1996, as shown on pages A-5 through A-10. The information contained in these financial schedules is the responsibility of the legal panel's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on a comprehensive basis of accounting other than generally accepted accounting principles. The schedules are not intended to be a complete presentation and disclosure of the legal panel's assets and liabilities.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the Montana Chiropractic Legal Panel for the two fiscal years ended June 30, 1995 and 1996, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

James Gillett, CPA
Deputy Legislative Auditor

August 12, 1996

Room 135, State Capitol Building, PO Box 201705 Helena, MT 59620-1705
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MONTANA CHIROPRACTIC LEGAL PANEL
SCHEDULE OF CHANGES IN FUND BALANCE
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1996

	Special Revenue Fund
FUND BALANCE: July 1, 1994	$ 17,130
ADDITIONS	
Fiscal Year 1994-95	
Budgeted Revenues	13,473
Fiscal Year 1995-96	
Budgeted Revenues	10,350
Total Additions	23,823
REDUCTIONS	
Fiscal Year 1994-95	
Budgeted Expenditures	1,739
Fiscal Year 1995-96	
Budgeted Expenditures	13,796
Prior Year Expenditure Adjustments	260
Total Reductions	15,795
FUND BALANCE: June 30, 1996	$ 25,158

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-9.

MONTANA CHIROPRACTIC LEGAL PANEL
SCHEDULE OF TOTAL REVENUES
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1996

	Special Revenue Fund	
	Fiscal Year 1994-95	Fiscal Year 1995-96
TOTAL REVENUES BY CLASS		
Charges for Services	$ 13,473	$ 10,350
Total Revenues	13,473	10,350
Actual Budgeted Revenues	13,473	10,350
Estimated Revenues	12,000	9,000
Budgeted Revenues Over(Under) Estimated	$ 1,473	$ 1,350
BUDGETED REVENUES OVER(UNDER) ESTIMATED BY CLASS		
Charges for Services	$ 1,473	$ 1,350
Budgeted Revenues Over(Under) Estimated	$ 1,473	$ 1,350

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-9.

MONTANA CHIROPRACTIC LEGAL PANEL
SCHEDULE OF TOTAL EXPENDITURES & OTHER REDUCTIONS BY OBJECT BY PROGRAM
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1996

	Legal Panel Operations	
	Fiscal Year 1994-95	Fiscal Year 1995-96
PROGRAM EXPENDITURES BY OBJECT		
Operating Expenditures		
Services	$ 1,705	$ 11,819
Supplies & Materials	33	375
Communications	1	415
Travel		1,270
Rent		177
Total	1,739	14,056
Total Program Expenditures	$ 1,739	$ 14,056
PROGRAM EXPENDITURES BY FUND		
Special Revenue Fund	$ 1,739	$ 14,056
Total Program Expenditures	1,739	14,056
Less: Prior-Year Expenditure Adjustments		260
Actual Budgeted Expenditures	1,739	13,796
Budget Authority	12,000	14,000
Unspent Budget Authority	$ 10,261	$ 204
UNSPENT BUDGET AUTHORITY BY FUND		
Special Revenue Fund	$ 10,261	$ 204
Unspent Budget Authority	$ 10,261	$ 204

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-9.

Notes to the Financial Schedules

For the Two Fiscal Years Ended June 30, 1996

1. Summary of Significant Accounting Policies

Basis of Accounting

The Chiropractic Legal Panel uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental Fund. In applying the modified accrual basis, the panel records:

Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.

Expenditures for valid obligations when the panel incurs the related liability and it is measurable.

Expenditures may include entire budgeted service contracts even though the legal panel received the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

Basis of Presentation

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. For audit reports issued after July 1, 1996 the Legislative Audit Committee approved a new financial schedule presentation for agency audit reports. The schedules now include nonbudgeted revenue and expenditure activity and prior year revenue and expenditure adjustments for all financial schedules presented. In addition, financial activity for agency funds, if applicable to the agency, is included in the Schedule of Changes in Fund Balance and Property Held in Trust. The financial schedules included in this report are presented according to the revised format. The financial schedules are prepared from the Statewide Budgeting and Accounting System without adjustment. Accounts are organized in funds according to state law. The Chiropractic Legal Panel uses the following fund:

Governmental Fund

Special Revenue Fund - to account for proceeds of specific revenue sources legally restricted to expenditures for specific purposes. The Chiropractic Legal Panel's entire operation is accounted for in a Special Revenue Fund.

Notes to the Financial Schedules

2. Operating Expenditures

The Chiropractic Legal Panel's "other services" expenditures include the management fee paid to the panel director, and the costs associated with conducting panel reviews.

3. Related Parties

Mary Lou Garrett is director of both the Montana Chiropractic Association and the Montana Chiropractic Legal Panel. The executive director of the Association appoints the director of the panel, subject to approval of the Chief Justice of the Montana Supreme Court.

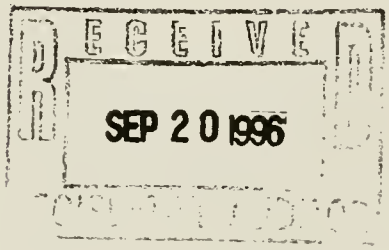
Agency Responses

MONTANA CHIROPRACTIC LEGAL PANEL

P.O. Box 1098
Helena, MT 59624

Director:
Mary Lou Garrett

Telephone: (406) 442-7275



September 20, 1996

Wayne Kedish, Audit Manager
Legislative Audit Division
P.O. Box 201705
Helena, MT 59620-1705

Dear Sir:

In response to the financial-complaince audit conducted by Frieda Houser, I am very pleased that no recommendations were issued. This agency will attempt to maintain the operations of the Chiropractic Legal Panel in compliance with all aspects of the statutes and rules of the State of Montana.

Sincerely,

Mary Lou Garrett

Mary Lou Garrett
Director